

UTILITY TRENDS

k e y c u s t o m e r n e w s

City Light prepared for difficult economy



Jorge Carrasco
Superintendent
Seattle City Light

Greetings.

The unrelenting bad economic news that hits us almost daily on the local, state and national level has had an impact at City Light, too. However, the challenges we face have

more to do with snowpack and energy prices than they do bail-outs. While we aren't facing the same low water levels that we did in the drought of 2001, our snowpack levels on the Skagit are 76 percent of normal.

Even more concerning is the price of natural gas, which is a lead indicator for energy prices and the price we can realize for our excess production. Right now, our net wholesale revenues are almost half of what we planned for 2009. Our current projections are \$78.9 million, while our 2009 budget was based on revenue projections of \$142.2 million.

This means that we will have to significantly reduce expenses to contain costs in 2009. To address our budget shortfall we are holding vacant any unfilled positions; restricting travel to only essential utility operations; cutting the purchase of supplies and equipment; reducing by half the number of line miles

our tree trimming unit will do this year; and perhaps the most significant move we are making is restricting overtime throughout the utility.

Customers will experience noticeable impacts. Service connections will be delayed. Repairing streetlights will be slowed and customer calls may take longer to be answered. I assure you that we are going to work as hard and as smart as we can to minimize impacts on our customers.

With the actions we are taking, we will avoid a rate increase this year. In fact, we've been able to realize a 12.1 percent rate decrease during the past five years. We're in a stronger position today than we were in 2003 because of the financial measures we've put in place. But we need to monitor this situation carefully. In 2010 it will be necessary to issue bonds in order to meet capital needs.

We are better prepared to weather the economic uncertainties we face and we'll keep you informed throughout the year on the progress we're making. We appreciate your continued understanding and support through this difficult economic period.



www.seattle.gov/light

City Light's secures long-term contract with BPA

City Light signed a 17-year contract with the Bonneville Power Administration (BPA) that secures approximately 40 percent of City Light's energy load through Sept. 30, 2028.

"This contract is great news for the utility and its customers," said Superintendent Jorge Carrasco. "By extending our relationship with BPA, we have secured our ability to acquire a substantial amount of low-cost hydroelectric power for the

next two decades. This will help us continue to meet our customers' electricity needs with low-cost, reliable, environmentally sensitive energy."

City Light has purchased power from BPA under long-term agreements for more than 30 years. The utility's current contract expires in 2011, when the new power sales agreement will start. Under the new agreement, City Light will purchase about 530 average megawatts of

electricity from BPA. One average megawatt is equal to 1 million kilowatt-hours of electricity every hour or every day for a year. How much additional electricity City Light has the right to buy from BPA during the term of the new contract will be determined by City Light's load growth after 2010. BPA's rates are adjusted every two years through a public rate case.



Standard & Poor's upgraded its ratings for the utility from A+ to AA- and Moody's Investors Service upgraded its rating from Aa3 to Aa2.

Improved bond rating will keep costs down

Last December, City Light received great news that Standard & Poor's (S&P) upgraded its ratings for the utility from A+ to AA- and Moody's Investors Service upgraded its rating from Aa3 to Aa2. The bond ratings have improved substantially since the West Coast energy crisis in 2000. S&P and Moody's cited the following strengths of the utility:

- a low-cost hydro-based generation portfolio that meets load under most water conditions;
- a strong and diverse customer base;

- good financial management;
- competitive retail rates;
- and City Light benefits from being part of a broader city government with large cash reserves.

S&P also commented on certain future financial challenges ahead for the utility, including hydrology and market risks related to City Light's dependence on hydroelectric power generation for wholesale sales. But overall, S&P indicates that the upgrade reflects

the utility's improved debt leverage and debt service coverage, strengthened financial policies and risk management practices.

City Light has worked hard during the past four years to control costs, avoid borrowing, and put into place new financial and risk management policies and practices. The efforts are paying off and the utility plans to continue working hard to improve our financial resilience.

City Light named Climate Action Leader

The utility has been named a Climate Action Leader by the California Climate Action Registry, which verified that the utility's greenhouse-gas emissions inventory meets the registry's voluntary reporting standards.

"We believe that Seattle City Light's example helps set a positive tone and a meaningful standard of energy efficiency in the public utility industry," said Gary Gero, president of the registry, a not-for-profit organization that promotes early actions by utilities and other organizations to reduce greenhouse gas emissions.



Mayor Greg Nickels

Seattle Mayor Greg Nickels asked Seattle's leaders to find ways to reduce climate-altering activities with an initiative called Seattle Climate Action Now. As part of that effort, City Light measures, reports and verifies its greenhouse-gas emissions through the California Climate Action Registry.

"Global climate change affects us all and we need to be a part of the solution," said Seattle City Light Superintendent Jorge Carrasco. The municipal utility "depends on snowpack in the Cascade Mountains to produce electricity for our customers" using its hydro-powered generation, he said. *"Rising temperatures in the winter and spring threaten that resource, so it's critical for us to do what we can to reduce our impact and encourage others to join us in this effort."*

Since 2005, City Light has inventoried its greenhouse-gas emissions and has offset them fully with projects to reduce emissions in other areas, such as helping to provide shore power connections for cruise ships at the Port of Seattle. City Light is the only comparably sized electric utility in the nation to achieve zero-net carbon emissions and has maintained carbon neutrality for four years.



Get greener through **Green Up!**



Green Up is a Seattle City Light program that gives business and institutional customers a means to purchase clean, green power. Participation in Green Up supports the production and integration of wind-generated energy into the Northwest power grid and helps us invest in new renewable energy projects like landfill gas and dairy biogas.

With Green Up, Seattle area businesses and institutions demonstrate their commitment to green, renewable power, helping to reduce our reliance on fossil fuels and improve air quality in the Northwest. Please join Green Up and take action in creating a cleaner energy future. Call **(206) 684-3800** to enroll or visit www.seattle.gov/greenup for program information.

Green Up leaders: Top 25 Seattle City Light business partners

University of Washington

Seattle University

Starbucks Center: SODO

King County Chinook Building:

LEED Building

U.S. General Services Administration

PCC Natural Markets

FedEx Kinkos

Mosler Lofts: LEED Building

Mithun

Seattle Public Utilities Operations

Control Center: LEED Building

Pagliacci Pizza

McCallum Print Group

Antioch University

Waste Management of Seattle

North Cascades Environmental

Learning Center: LEED Building

Seattle Storm 2008 Home Games

Theo Chocolate

ColorGraphics

Northgate Civic Center LEED

Charter Construction

**West Seattle Community Resource
Center: LEED Building**

City of Burien

Synapse Product Development

**Chief Seattle Club/Monterey Lofts:
LEED Building**

The Schuster Group

Contacts Us

Seattle City Light's Account Executive Office works with the utility's largest commercial and industrial key customers and suburban cities to address their unique business requirements. Our goals: to provide excellent customer service, advocacy and tailored solutions. For information, please call Sheree Hall at **(206) 684-3331** or email at sheree.hall@seattle.gov. Visit the Account Executive Office Web site: www2.cityofseattle.net/light/key

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Seattle MeterWatch means savings

In these days of budget reductions, some of City Light's customers wonder, "Why would anyone not want to use it?" They're referring to Seattle MeterWatch (SMW), a password-secured, online energy-use and cost-information service for large customers of Seattle City Light. This free service helps track your facilities' hourly and daily electricity use patterns and estimated cost. It also identifies problem areas so you can make meaningful decisions about how to get the most out of your energy dollars. To enroll, call the Account Executive Office at **(206) 684-3331**.

See how it's done: Watch how Fred Hutchinson Cancer Research Center reduced their energy expenditures through this Seattle MeterWatch link to the Seattle Channel www.seattlechannel.org/videos/video.asp?ID=4297.



Seattle City Light is a publicly owned utility dedicated to exceeding our customers' expectations in producing and delivering low cost, reliable power in an environmentally responsible and safe way. We are committed to delivering the best customer service experience of any utility in the nation.

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